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# STATE REFORM, COALITIONS, AND THE NEOLIBERAL AUTOGOLPE IN PERU\*

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When President Alberto Fujimori suspended constitutional rule in April 1992, he ended Peru's twelve-year experiment in civilian democratic governance. Citing the growing insurgency of Sendero Luminoso, corruption in the political parties, and difficulties with the Peruvian Congress in passing his economic program, Fujimori announced that democracy would have to be "temporarily suspended" in order to build new institutions. This move was backed by the armed forces. Perhaps most surprising to outside observers was the widespread popularity of Fujimori's move, which reflected the growing disenchantment with traditional political parties of the right and the left.<sup>1</sup> Democratic procedures and institutions during the 1980s had been precarious at best. The military's counterinsurgency campaign against Sendero Luminoso had transformed Peru into one of the hemisphere's worst offenders against human rights, with the highest number of forced disappearances in the world. But despite documented cases of torture and other violations of human rights by state authorities, Peruvian military forces acted with the knowledge that they were virtually immune from prosecution.

These egregious violations of democratic norms were accompanied by an authoritarian centralization of decision-making power in the executive branch. The elected governments of Fernando Belaúnde Terry (1980–1985) and Alan García Pérez (1985–1990) made ample use of their majorities in the Peruvian Congress to exercise wide-ranging prerogatives, including the power to issue legislative decrees and to extend states of

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1. Fujimori's actions were greeted with widespread public approval, with polls finding up to 75 percent of those polled approving the Fujigolpe. See "Peruvians Backing Leader's Actions," *New York Times*, 9 Apr. 1992, p. 2. Fujimori's approval rating remained above 60 percent through mid-1993.

emergency limiting civil liberties.<sup>2</sup> Alongside these limits on democratic accountability in the 1980s, however, were hopeful signs of democratic ferment. Participation was heavy in all elections, the press was relatively free (especially in Lima, which at one point had twelve daily papers), and civil society was highly organized via dynamic popular-sector organizations that included unions, peasant federations, and neighborhood associations. This grassroots exercise of democratic empowerment, along with the results of public opinion polls that consistently identified “electoral democracy” as the best form of government, indicated strong support for democratic ideals.<sup>3</sup>

Although the weak consolidation of democratic institutions and norms must be acknowledged as important factors in the reemergence of authoritarian rule in Peru, they do not suffice to explain the breakdown of democratic procedures. Cynthia McClintock has aptly noted (1989) that the persistence of democracy in Peru during the 1980s owed less to the strengths of democratic institutions than to strategic calculations by the elites. The persistence of democratic institutions during the 1980s, even when democratic norms were being violated, resulted from the recognition by economic and state elites that the costs of returning to authoritarianism—which included international isolation and further political polarization—were far greater than the costs of maintaining the status quo. This article will argue that the *autogolpe* in April 1992 resulted from a sharp change in such calculations during the late 1980s and early 1990s after a serious structural deterioration of state power. In this context, the “Fujigolpe” represented the culminating response by key elite sectors seeking to reshape the scope and nature of state power in Peru.

The first section will examine the origins of state crisis in Peru according to my understanding of state power and will discuss the three arenas of state power affected most by the accelerating crisis during the 1980s. Various studies have focused on the rapid decline of state capabilities since the late 1970s, especially the effects of Peru’s economic crisis on state administrative capacities (Pastor and Wise 1992), trade and debt policies (Kisic 1987; Portocarrero 1980), and resource and public enterprise management (Paredes and Sachs 1991). Studies of political violence in the 1980s had noted similarly the low capabilities of the state, including conflicts within the security apparatus and difficulties in maintaining control of territory (Goritti 1990; McClintock 1989). Yet few attempts have

2. For an overview of the nature of Peru’s democracy, see McClintock (1989) and Pásara and Parodi (1988). Also see the excellent reports by Americas Watch during this period, especially *In Desperate Straits: The Human Rights Situation in Peru after a Decade of Democracy and Insurgency* (1990). The powers of the executive vis-à-vis the legislature under the Constitution of 1978 are reviewed in Bernalles (1984).

3. The literature on the popular sector in this period is extensive. For examples, see Tuesta (1989), Degregori and Grompone (1991), and Stokes (1991).

been made to analyze the growing limits of state power in an integrated manner, the goal of this section.

The second section will examine the Fujimori neoliberal authoritarian experiment, explaining the logic of Fujimori's neoliberal economic policies, the reasons why more than just short-term stabilization was sought, and how a strengthened state apparatus was viewed as an essential ingredient of the neoliberal reform program. This section will end by suggesting that the nature of the regime's support base as well as the political context of violence in this period pushed the regime toward adopting authoritarian means to achieve its ends.

The third and fourth sections will analyze the possible consequences of Fujimori's neoliberal authoritarian reform project. In my view, the turn toward authoritarianism has created new tensions within Fujimori's coalition. Moreover, although the regime's goal was to strengthen the state apparatus, its methods may be undermining that objective. International isolation, the personalist nature of Fujimori's project, and factional disputes may increasingly work together to reduce the possibilities of providing the Peruvian state with new resources. Ultimately, the Achilles' heel of the Fujimori regime may be its inability to meet the social and economic needs of Peru's vast impoverished majority, whose situation has worsened considerably over the last three years and whose support has proved so important to the regime.

#### THE CRISIS OF STATE POWER IN PERU

In discussing state capabilities, I am referring to the basic administrative and coercive functions of the modern state as defined in Weberian terms.<sup>4</sup> Such capabilities include the abilities "to penetrate society, regulate social relationships, extract resources, and appropriate or use resources in a determined way" (Migdal 1988, 4). States capable of carrying out these functions in a highly effective manner can be thought of as strong, while less capable ones can be termed weak states. Hence state strength has less to do with the size, brute force, or formal prerogatives of state institutions than with the effectiveness with which its capacities are utilized. The state acts in a variety of arenas, where its level of power may differ. Thus states should be studied "in relation to socioeconomic and sociocultural contexts" by evaluating a gamut of state resources and capacities in relation to those of national and transnational actors (see Skocpol 1985, 19). A useful way of approaching state capacities is to distinguish among three arenas of state power: the state's own organizational

4. Following Max Weber, I am using the concept of the state to denote the set of administrative and legal institutions that claim "compulsory jurisdiction" over a given territory, maintain a "continuous operation," and monopolize the legitimate use of force. See Weber (1958, 78; 1978, 56).

structure, the state's ability to influence the behavior of societal actors, and the state's relation with other states and supra-state actors. These relations involve many variables, none of which are static. As recent events in the Eastern bloc have shown, state capacities can shift dramatically and reflect broader sociohistorical processes. Thus any attempt to understand changing state capacities and resources must be grounded in historical analysis and evaluation of these relations across time. My discussion of state capabilities in Peru is organized around these three arenas of state power and, although preliminary, is meant to outline the dimensions of a structural weakening in state capabilities following an extensive period of state building during the 1960s and 1970s.

*State Capabilities in Peru*

*Organizational Capacity* / The capabilities of the Peruvian state have traditionally been limited throughout much of the period since independence. One legacy of Lima's having been the most centralized viceroyalty in South America is that the state has had little presence throughout most of the Andean highlands. What predominated until the middle of the twentieth century was a system of intermediation. Its key protagonist, the *gamonal* (local boss), acted as a mediator between the central state and most of the population, consisting of an excluded sector of Indians and mestizos. This system of domination proved useful to both the *gamonales*, who acquired authority and legitimacy, and to the central state, which ensured that order could be enforced at minimal expense (see Cotler 1970, 420).<sup>5</sup>

This low level of state administrative presence in much of Peru was accompanied by weak organizational capacities. As has often been pointed out, one of the most basic organizational functions of the modern state is its ability to regulate the economy and administer state economic resources via fiscal and monetary policies.<sup>6</sup> Yet Peru, like many other developing world states, historically exhibited low fiscal and monetary capabilities. As late as 1962, taxation (perhaps the most basic function of the modern state) was still being contracted out to a private firm. Moreover, until 1969 the directors of the central bank were appointed by the country's organized business sector, including the powerful Sociedad Nacional de Minería y Petróleo and the very banks that the central bank was supposed to regulate (see Dobyns and Doughty 1975, 219; Becker 1981, 256).

The historically weak economic policy-making structure, lack of

5. On these relationships, see also Bourricaud (1970), Fuenzalida (1970), and Burga and Flores Galindo (1980).

6. On the evolution of economic capacities in modern states, see especially Tilly (1975), Callaghy (1984), and Mann (1984).

administrative autonomy, and reliance on gamonal intermediation between state and society began to be altered in the 1960s, first under the reformist government of Fernando Belaúnde (1963–1968) and then by the progressive military regime of General Juan Velasco Alvarado (1968–1975). Two trends illustrate this structural shift: the professionalization and growing cohesiveness of the military institution (see Villanueva 1968; Stepan 1978) and the state's increasing intervention in the economy. The Velasco regime is undoubtedly one of the most studied periods in recent Peruvian history. Much of the attention has focused on the military's explicit project of developing a state apparatus based on a model of state capitalism.<sup>7</sup> Formation of new public enterprises and regulatory agencies and the taking control of "strategic industries" like mining gave the state sector an unprecedented presence in the Peruvian economy.

This developmentalist phase of state expansion in Peru ended in the mid-1970s, and over the course of the next fifteen years, the state's organizational resources and capabilities were dramatically curtailed. Three factors played a key role in this reversal: a persistent economic crisis, the inability to curb clientelism and corruption, and rising political violence.

In economic terms, the end of the Velasco regime was accompanied by a severe crisis in balance of payments, which reflected declining world demand for traditional Peruvian exports, an onerous debt burden, and generally poor economic management. This economic crisis revealed the exhaustion of the state capitalist model and the failure of efforts to establish an industrial base financed by traditional exports.<sup>8</sup> Although policies have alternated in response to the downturn, economic performance since the mid-1970s has been dismal. Paredes and Sachs note that between 1976 and 1989, growth in the Peruvian economy averaged only 1 percent annually, with per capita gross domestic product declining during half of that period. The effect on incomes was dire. By 1990, real wages had sunk to less than 40 percent of their 1980 levels (see Hamann and Paredes 1991, 73, 77; on incomes, see Webb and Fernández Baca 1990, 813).

This structural crisis has impacted state organization severely. Tax revenues declined by more than half during the 1980s. The perverse effects of persistent economic stagnation—including the growth of a tax-evading informal sector, rising public enterprise deficits, inflation, and the decline in exports and foreign investments—worked together to shrink the tax base (see Cáceres and Paredes 1991, 109–10). In turn,

7. The best analysis of this model as implemented in Peru is FitzGerald (1983). See also Wise (1990), Thorp and Bertram (1978), and Portocarrero (1980).

8. See in particular Portocarrero (1980), which analyzes the return to an export boom in traditional products as the driving force of economic recovery in 1979–1980. See also Wise (1992) for a review of the Belaúnde economic policy and Thorp and Bertram (1978) for a historical analysis explaining the bias of economic actors toward an open economy.

shrinking public resources have undermined the basic infrastructure of the country by limiting the state's ability to maintain and repair it after terrorist attacks, to say nothing of expanding transportation, communication, and energy networks. Suspension of virtually all international aid by the mid-1980s following García's unilateral debt moratorium further limited Peru's ability to invest in the national infrastructure. By the late 1980s, only 10 percent of Peru's roads had been paved, and those roads were often as difficult to travel as the unpaved roads (Hamann and Paredes 1991, 47). Human infrastructure also suffered the effects of this economic crisis, as public-sector employees watched their salaries fall by over 60 percent between 1985 and 1990.<sup>9</sup> This dismal situation forced many dedicated and specially trained personnel to seek employment elsewhere and also crippled the attractiveness of public-sector employment.

A second factor reducing state capabilities was the politicization of much of the state bureaucracy during the 1980s and the spread of partisan clientelistic practices. Orthodox as well as populist economic policies of the period were implemented in ways that often seemed more responsive to ideological and political agendas than to technical criteria. Cuts in state spending demanded by orthodox policymakers were often based on political criteria rather than on state efficiency. For example, several state industries (including fisheries) were intentionally gutted because of strong leftist unions, even though these industries had been reasonably profitable (see Wise 1990, 189). Exchange rates were especially susceptible to political manipulation. During the García administration, the system of multiple exchange rates was used to placate various organized business groups. Even worse was the widespread clientelist manipulation of state resources and corruption under both the administrations elected in the 1980s. Belaúnde dedicated scarce funds (augmented by new borrowing in international markets) to vast road-building projects in his political strongholds, with economic benefits that were dubious at best. Under García, more blatantly clientelist programs were implemented, such as the temporary jobs system PAIT (Programa de Apoyo al Ingreso Temporal) and the peasant communal forums known as Rimanacuy. Both administrations were plagued by major corruption scandals involving ministers, military officers, and other high-ranking officials.<sup>10</sup> Such practices increasingly turned the state administrative apparatus into the distributor of booty, as directed by the winners of elections.

A final factor impinging on state capabilities has been the spread

9. Calculation from Rudolph (1992, 133).

10. One of the most notorious scandals during the APRA government involved the importation of rotten beef from Argentina. Amid rumors of kickbacks, Minister of Agriculture Remigio Morales Bermúdez resigned but was never tried. On the clientelist practices of the APRA government, see P. Paredes (1988) and Pease García (1988). A description of scandals during the Belaúnde period can be found in Tuesta (1985).



of insurgent violence during the 1980s. The nature of that violence will be discussed further, but here it is important to note the effects of the rapid growth of insurgency on the state, particularly on the security forces. After twelve years in power, the Peruvian military entered the 1980s exhausted and seeking to restore its corporate unity. Instead, it was confronted with the emergence of the insurgency known as Sendero Luminoso. From the beginning, the military tried varied and often contradictory approaches, none of which succeeded. All of them, however, opened the institution to criticism for its increasingly atrocious record on human rights. Differences over counterinsurgency strategy fostered factionalization along ideological as well as tactical lines between officers who believed that an Argentine-style dirty-war solution to insurgency was needed and those who saw the root cause of insurgency as economic and thus requiring a "developmentalist" approach.<sup>11</sup>

These divisions were exacerbated by an organizational structure that was ill-prepared to confront Sendero's rural strategy. For example, emergency-zone commanders and the country's five regional commanders were being rotated yearly to prevent the emergence of local caudillos in the armed forces. But this mode of operation undermined counterinsurgency effectiveness by not allowing officers to accumulate experience in the field. The result in many regions was a yearly change in strategy along with commanders and an overall inability to create an effective strategy based on experience. Efforts to combat Sendero were also hampered by rivalries among the military services as well as with the police. Such rivalries and the unwillingness to share intelligence sometimes had fatal consequences, as when the town of Uchiza in the Huallaga Valley was attacked by a Senderista column in early 1989. Despite the fact that an army base with helicopters was located just ten minutes away, the army refused repeated calls for assistance from the besieged police post, which eventually fell.

The military institution was also affected by the economic crisis, which significantly reduced resources and salaries, as well as by growing drug trafficking and corruption. By 1990, a Peruvian general was earning only one-fourth of the salary of his Chilean counterpart. Faced with rapidly declining wages, the temptation to profit from the cocaine trade is frequently irresistible. The steep decline in salaries has also provoked persistent problems with morale and desertion, especially among the enlisted. When combined with the fragmentation of authority, these problems presented a stark contrast with the high level of professionalization attained by the Peruvian armed forces in the 1950s and 1960s.<sup>12</sup>

11. Elaborated in Mauceri (1991). See also Americas Watch (1990), Comisión Andina de Juristas (1987), and Rubio Correa (1984).

12. The professionalization of the armed forces, including its separation from the traditional political manipulation of political leaders, is detailed in Villanueva (1973) and Stepan (1978).



*State Influence in Society* / During the Velasco regime, the state undertook a dramatic program to reshape society. The resulting agrarian reform, which broke up haciendas, advanced cooperative schemes, and prohibited land resales, represented one of the most radical land reforms in recent Latin American history. Virtual elimination of the traditional, quasi-feudal hacienda system in the highlands and of the export-oriented haciendas on the coast reshaped rural social relations significantly. But the military's project for redesigning society was even more ambitious than reordering rural society. The military planned to use state resources to develop a system of corporatist organizations that would encourage "full participation" by the popular classes in workplaces and neighborhoods as well as in the political arena.<sup>13</sup> Social demands were to be channeled to state authorities via SINAMOS (Sistema Nacional de Apoyo a la Movilización Social), a state agency that was a nonparty bureaucracy.

The fact that the mobilization project of the Velasco state elites failed is not surprising. State-directed attempts to mobilize and reorder the social system from above without a political party historically have failed. It is extremely difficult for state agencies to maintain the loyalty of newly organized groups, an outcome that quickly gives rise to a "control problem" for state administrators (see Trimberger 1978; on Peru, see Stepan 1978). The question is, how to ensure that demands made by mobilized groups are contained within designated channels and do not exceed expectations of administrators. This daunting task is even more difficult for a state with a historically weak capacity for influencing social organization. What happened in Peru was that the state lost control of the mobilization process it had unleashed, and the bureaucracy was soon overwhelmed by radical new demands. Popular classes found expression for their demands not in the schemes designed by state bureaucracies but in new leftist (and especially Maoist) political parties, unions, and federations that emerged in the early 1970s. In the race to meet the demands for revolutionary change being made by Peru's popular sectors, it was all but impossible for the military—a hierarchical, corporate, and authoritarian institution—to compete with openly anti-system opposition.

A major legacy of the Velasco era was the popular mobilization that it unleashed. New pressure "from below" and the social conflicts it generated had serious implications for the state because the new political left was more successful in organizing popular sectors. Via strikes and other kinds of protest, this anti-system opposition challenged not only the policies of the state but the very legitimacy of the state apparatus and the economic system. Many new grassroots organizations adopted a model of "*autogestión*" (self-management) in an attempt to meet their own

13. The literature on the corporatist military project is extensive. See in particular Stepan (1978), McClintock and Lowenthal (1983), and Palmer (1973).

needs when faced with a hostile state.<sup>14</sup> Policymakers had to choose between repressing this new sector or coming to terms with it, whether through co-optation or negotiated concessions. The successive administrations of General Francisco Morales Bermúdez (1975–1980) and Fernando Belaúnde (his second term, 1980–1985) opted for a mix of concessions and repression. Beginning in 1977, social conflict soared to unprecedented levels. A wave of national strikes effectively shut down the country and demonstrated the new-found power of the labor federation controlled by the Communist Party. Strikes rose to an all-time high in the late 1970s, nearly triple the rate of the previous decade.<sup>15</sup>

This new anti-system opposition clearly limited state influence in society, which had never been strong (except in the Velasco era), and also challenged state legitimacy directly. The new left and its social organizations were challenging the existing order through protest and later electoral activities, but these groups were not the only new actors on the scene. One of the many Maoist faction-parties to emerge from the mobilization of the 1970s was Sendero Luminoso. Originating in isolated Ayacucho, Peru's poorest department, Sendero expanded quickly after initiating its "prolonged people's war" in 1980. As an insurgency that openly defied the state by attempting to replace the existing state structure through armed struggle, Sendero gained the loyalty of various social groups, especially provincial intellectuals, students, displaced peasants, and sectors of the urban poor. The rapid spread of Sendero was facilitated by the general economic decline and virtual elimination of traditional mechanisms of domination by the agrarian reform in the highlands. Additionally, the widespread radicalization during the 1970s, reflected in the predominance of Maoism among important new groups on the left (such as the teachers' union), had created fertile ground for the seeds of the Sendero message.<sup>16</sup>

Most recent analyses of Sendero have stressed the previous history of radicalization in Peru, Sendero's tightly knit organizational structure, and its tactical ruthlessness in explaining its rapid advance during the 1980s (for example, see Palmer 1992, 13–14). A key condition identified in much of the broader literature on the advance of revolutionary movements is what Charles Tilly has termed the "incapacity or unwillingness"

14. Simply put, *autogestión* (self-management) emphasizes the ability of organized groups to govern themselves with minimal roles for outside actors. The model was adopted in a number of projects during the Velasco era, including the shantytown government of Villa El Salvador, which is still using it. A discussion of the model as applied in Peru can be found in Stephens (1980). For an overview of social movements during the 1970s and early 1980s, see Ballón et al. (1986) and Tovar (1985).

15. See ILO (1970, 787; 1975, 799; 1980, 635). On the effects of labor radicalization, see Stephens (1983), Balbi (1989), and Sulmont (1979).

16. An overview of the literature on Sendero is provided in Starn (1992). The best analyses of the factors giving rise to Sendero can be found in Degregori (1990), Chávez de Paz (1989), Granados (1981), and McClintock (1984).

of state agents to suppress revolutionary challengers. The type of state organizational structure most likely to succumb to such challengers is one paralyzed by inter-elite squabbles, low on economic resources, and lacking in legitimacy.<sup>17</sup> Conversely, revolutionary movements have not succeeded where state elites are unified, supported by a coalition of interests opposed to the insurgents, and backed by the material and organizational resources needed to wage and sustain a war against revolutionaries. Throughout the 1980s, the Peruvian state had difficulty meeting these conditions. Thus however determined and ruthless Sendero showed itself to be, its advances owed more to the utter collapse of effective opposition by the state and by political society. As several studies have shown, Sendero's main advances have come in areas where the state has minimal presence and political society is weakly organized.<sup>18</sup> Where strong organizational networks exist, whether those of the state, political parties, or civil society, Sendero has found it hard to impose its will.

The ability of a state to repress such a challenge and maintain loyalty while doing so is a key test of the state's relative influence and authority in society. By 1990, it had become evident that the Peruvian state had failed tremendously in this task. In areas where Sendero expanded, state institutions (extremely weak at the outset) virtually collapsed. Sendero's persistent attacks on representatives of the state—mayors and other elected officials as well as the police and military—created vacuums of power in many rural and urban areas that Sendero then filled with its own organizational structures. Mass resignations of elected officials who feared Sendero reprisals left many towns without civilian authorities.<sup>19</sup> The state's difficulty in overcoming this challenge and maintaining the loyalty of sectors attracted to Sendero underscored state weakness in influencing society.

*The International Arena* / The Peruvian state's position in the international arena has been severely undermined since the mid-1970s, primarily because of its debt to international banks. Although far smaller than those of Mexico and Brazil, the Peruvian debt remains a significant burden. By 1983, the country was dedicating nearly 60 percent of export revenue to servicing debt payments. Although the debt crisis hit most of Latin America during the 1980s, Peru began to feel its effects in the mid-1970s following heavy borrowing during the Velasco period. The

17. See especially Tilly's discussion of this issue (1978, chap. 7) and Skocpol (1979).

18. This is a point made repeatedly by "Senderologists," who usually point to the difficulties encountered by Sendero in organizing many shantytowns, the northern department of Cajamarca, and factories along the central highway, all of them locations where local governments, grassroots organizations, or political parties had a strong presence during the 1980s. For examples, see Berg (1986), Degregori (1991), and Otta (1988).

19. See the report issued by the Instituto de Defensa Legal (1990, chap. 9) for details on the Sendero strategy against locally elected officials.

state had little leverage in negotiating with unsympathetic banks and international lending agencies. Facing a severe recession, rising social conflict, and the need for new credits, Morales Bermúdez and his civilian economic advisors acquiesced to the demands for austerity and close supervision of economic policy-making by lenders. Following a brief period in 1976 when a consortium of international banks directly supervised the regime's economic goals, the International Monetary Fund (IMF) led in supervising implementation of orthodox policies in Peru, exercising extraordinary influence over the policy-making process. Despite initial attempts by the Morales Bermúdez regime to evade IMF goals, the threat of a cutoff of new funds ensured compliance through the early 1980s.

The relatively weak position of the Peruvian state during its negotiations with the international financial community appeared to end in the mid-1980s, when the administration of Alan García introduced its plan to limit debt payments to 10 percent of Peru's export earnings. García's policy was based in part on the misperception of a more benign international environment in the wake of the 1982 debt crisis but also on growing internal consensus that previous debt payment plans had done little to resolve the problem.<sup>20</sup> The outbreak of the Latin American debt crisis did not strengthen Peru's negotiating position, however. Peru's actions isolated it from international lenders, just when its neighbors were beginning to try to renegotiate their debt burdens. At the end of García's term in 1990, Peru's leverage with the international banking community was less than ever.

By the late 1980s, the Peruvian state apparatus was besieged by a grave insurgent challenge, external vulnerability, and a decline in the cohesiveness and efficiency of its own organizational structures. Many critics, particularly neoliberal reformers, have blamed these problems on the populist policies implemented during the García administration. Responsibility cannot be attributed to any single government, however. Rather, the origins of this crisis in state power are structural, rooted in the state's historical development, the radical mobilization of the 1970s, and the inadequacy of subsequent development models to address the fundamental needs of the majority of Peruvians. These structural factors severely hampered the state's capacities in all the arenas discussed and negatively reinforced each other, making it difficult to find viable short-term responses.

#### THE NEOLIBERAL STATE-BUILDING COALITION

Few observers expected Alberto Fujimori, an unknown former university rector, to eclipse the traditional political parties or the well-financed campaign of internationally famous novelist Mario Vargas Llosa in the 1990 presidential elections. In fact, Fujimori capitalized effectively on broad

20. For the logic of García's debt policy, see his political manifesto (1987). See also Kisic (1987) and Wise (1989).

disenchantment with established parties and the dramatic ethnic and economic divide separating Vargas Llosa's supporters from the rest of the country. Yet little was known about Fujimori's ideology, and his few speeches sounded a populist tone similar to those of García.<sup>21</sup> Shortly after Fujimori took office, however, it became evident that his program would adopt a distinct neoliberal orientation. This section will examine the coalition of interests—including the military, civilian technocrats, international financial agencies, and domestic business groups—that coalesced around Fujimori after his election and helped forge a neoliberal economic program intended to "rationalize" the state administrative apparatus and strengthen the authority and effectiveness of the military and other state agencies. Short-term stabilization was only the first step toward a broader reshaping of the economic rules of the game. All these groups shared an interest in stabilizing the economy and getting it back into the international financial system, and they were averse to the populist and class-based politics that had predominated during the Velasco and García administrations. Strong consensus also existed on the need to adopt hard-line tactics to deal with Sendero Luminoso. Thus underlying the consensus on neoliberal policies and increased militarization was the recognition that both required a strengthened state apparatus to be effective.

Having been elected without an organized political party or any clear plan for governance, Fujimori quickly turned to a small group of civilian technocrats to fill key positions in the state bureaucratic structure. Hernando de Soto, director of the Instituto Libertad y Democracia (Peru's free-market think tank), was charged to use his international connections to renegotiate the foreign debt and later to redesign the strategy against narcotics.<sup>22</sup> Fujimori's turn to technocratic elites to serve in the new administration also included appointing career bureaucrats known for their integrity to lead the inefficient and corrupt tax-collection agency SUNAT (Superintendencia Nacional de Administración Tributaria), the social security bureau IPSS (Instituto Peruano de Seguridad Social), and the customs agency SUNAD (Superintendencia Nacional de Aduanas). Other advisors were named to oversee plans to sell a number of state companies under the auspices of COPRI, the new Comisión de

21. Press reports emphasized Fujimori's anti-wealth speeches and suggested that he would call for a multiparty government. See "La fórmula secreta," *La República* (Dominical), 15 Apr. 1990, p. 1; and "Fujimori empieza hablando sólo y termina aplaudido por 8 mil Puñenos," *La República*, 2 Apr. 1990, p. 9.

22. A rundown on some key advisors is provided in "Hombres del presidente," *Caretas*, 4 Feb. 1991, pp. 34–36. On the importance of de Soto in the "reinsertion program" and anti-drug policy, see "Porque dijo basta," *Caretas*, 3 Feb. 1992, pp. 10–14. Although de Soto resigned as Fujimori's drug czar, his influence continued to be felt. In the debates regarding changes in the electoral system, de Soto's proposals for new electoral districts received widespread publicity and a sympathetic hearing from the regime. See "Trece distritos electorales propone ILD," *El Comercio*, 14 July 1992, p. A4.

Privatización. The impetus for reconstructing the state bureaucratic structure after years of clientelist practice and inefficiencies was obvious. Moreover, some of these efforts yielded surprisingly good results in a relatively short time. As will be shown, all these agencies have made significant advances in increasing their capabilities and resources.

By the end of Fujimori's first year in office, it had become clear that civilian technocrats were only part of a much larger coalition of political actors interested in reconstructing the state apparatus. For example, international financial agencies wanted to see Peru "reinserted" into the international financial system, where it had been a pariah since the mid-1980s. By 1990, debt renegotiations for Latin America's largest debtors (including Mexico and Argentina) appeared to have diffused most talk of a confrontational strategy in the region. On the Peruvian side, this trend was reflected in the Fujimori administration's eagerness to carry out its reinsertion strategy. De Soto and Minister of Finance Carlos Bolona, were anxious to reestablish Peru's credit and gain access to new funds, which were critical to the state rebuilding effort in infrastructure because significant investments had not been made since the early 1980s. The announcement by the Inter-American Development Bank in late 1991 of a credit of two hundred and twenty million dollars (the largest in nearly a decade) for highway construction and repairs was thus viewed as a major triumph for the reinsertion campaign.<sup>23</sup>

Clearly, civilian technocrats and international lenders shared the goal of reordering the state along neoliberal economic lines. The IMF, the World Bank, and international banks were all encouraging the neoliberal agenda of privatization and orthodox policies throughout Latin America and were eager to see them implemented in Peru as well. Following the perceived failures of populism and socialism, neoliberal economic thinking gained significant ground in the late 1980s throughout the region and benefited directly from the belief in a lack of viable policy alternatives. Much the same logic appeared to be working in Peru at the start of the Fujimori regime. Fujimori campaigned against the neoliberal policies espoused by Vargas Llosa but, once in office, found his alternatives limited by the demands imposed by international agencies for renewing funds and the advice of liberal-minded technocrats like de Soto. Fujimori's policies on international reentry and neoliberal economics were especially appealing to his third coalition partner, the business sector. The defeat of Vargas Llosa, whom it had backed assiduously, clearly disoriented business. Fujimori's adoption of much of Vargas Llosa's neoliberal agenda along with naming a probusiness prime minister soon after tak-

23. See in particular the special report "Reinserción," *Caretas*, 3 June 1991, pp. 1-16; also Ariela Ruiz Caro, "Reinserción: cuentas de nunca acabar," *QueHacer*, no. 73 (Sept.-Oct. 1990):12-17.



ing office came as pleasant surprises to business.<sup>24</sup> These developments were followed by close contacts and an effusive reception at the annual business congress, where Fujimori had been invited as the keynote speaker.

The cornerstone of Fujimori's state reconstruction coalition, however, was the Peruvian military. As noted earlier, the military had been hampered by the state crisis of the 1980s. It entered the 1990s on the defensive against insurgency, highly demoralized, and stretched in its financial resources. Among the select corps of technocratic advisors surrounding the new president was a small group of military advisors determined to establish its power base in the armed forces. Soon after the election, Fujimori isolated himself on a military base, reportedly planning his administration. Vladimiro Montesinos, a close advisor with special influence in the new administration, acted as a liaison between Fujimori and the armed forces and attended all meetings involving defense issues, even though he occupied no formal position.<sup>25</sup> Within weeks of taking office, Fujimori purged the police command and the interior ministry of those appointed by the García administration. Over the next year, he adroitly retired hostile military commanders (like the commander general of the navy) and promoted a host of favorable officials in an obvious effort to assemble an array of sympathetic officers in key positions. Accompanying these personnel changes was a growing militarization of the effort to maintain public order and reassert state authority by using military troops for tasks normally left to the police. Throughout 1991 heavily armed troops were employed to obliterate Sendero graffiti in the universities, to accompany the SUNAT in closing down street vendors who failed to pay taxes, to guard prisons, and to distribute food commodities in the shantytowns. By mid-1991 many Peruvians were questioning the goals and plans of the new military powers. The military purges fueled rumors of a planned "autogolpe," which were vehemently denied by the administration.<sup>26</sup> Yet the possibility of an authoritarian option loomed larger than at any point in the previous ten years.

The rapidity with which these interests coalesced around Fujimori and the lack of an alternative political project largely reflected the collapse of the party system that had allowed Fujimori to win the presidency and then dominate the political agenda. That collapse, in turn, resulted in

24. "CADE 91: ¿esta vez sí?" *Caretas*, 2 Dec. 1991, p. 29.

25. Reports on Montesinos have been extensive, although this mysterious figure has never granted a formal interview. For examples, see "El asesor," *Caretas*, 10 June 1991, pp. 19–22; and "Peru Adviser Linked to Drug Cartels," *Miami Herald*, 18 Apr. 1992, p. 1. Secretive presidential advisors are not without precedent in recent Latin American politics. In Argentina, José López Rega, with his proclivities toward the occult and right-wing paramilitary politics, exercised a Rasputin-like influence over Isabel Perón during her ill-fated tenure.

26. The call by a group of retired military officials for a civil-military "cogovernment" in early 1991 fueled much of this speculation and may in retrospect have been a trial balloon. See the Lima newsweekly *Sí*, 25 Mar. 1991, pp. 17–19.



many ways from the same forces that had weakened the state in the 1980s. Although the popular-class mobilization in the 1970s brought the demands of a previously excluded sector into the political system via new forms of participation, these changes in civil society were not easily translated into changes in political society. The newly strengthened electoral left that emerged after the 1978 elections to the Constituent Assembly did not benefit any single party that could maintain the loyalty of this new sector. Hence the new popular classes just as easily supported APRA's Alan García in 1985, the independent Fujimori in 1990, and the leftist coalition known as Izquierda Unida (IU) in the 1983 municipal elections.<sup>27</sup> The difficulty in finding a representative outlet in political society for this new sector reflected in part the origins of political elites across the spectrum in the white, urban, upper-middle classes. Organizational efforts at the grassroots, extensive in the IU, were hampered by the closed, cell-like structure of many parties, which kept the party "*cúpulas*" (leadership) isolated from the mass bases.<sup>28</sup>

Beyond these structural problems lay the question of political efficacy. After a decade of electoral democracy, most of the country's political elite had participated in some form of governance and thus in what was by then perceived as the failed policies of both the left and the right during the 1980s. The lack of new faces among the leadership of the parties reinforced this sense of exhaustion of political society.<sup>29</sup> Following their electoral defeat in 1990, the traditional parties failed to regroup or change their leaders or programs. Rather, during most of Fujimori's first year and a half in office, party leaders squandered their energies on internal disputes. The IU—ideologically bereft after the collapse of

27. For a summary of electoral results, see Tuesta (1987). He points out that a clear correlation existed between class and political support for the left throughout the 1980s. The shantytown districts consistently opted for leftist candidates, even when voting for other candidates at the national level. See also Tuesta (1989). The situation has changed dramatically since the 1986 municipal elections. In the 1989 and 1993 municipal elections, so-called independents won heavily, suggesting the emergence of a new voting pattern at the municipal level.

28. This problem of "representation" is one that the parties themselves have acknowledged, especially in leftist circles. In 1989 the Izquierda Unida (IU) held its first national congress and made several attempts to create a unified, elected structure. Party leaders, however, vetoed most attempts to change the collegial governance of the front, thus allowing the leaders themselves to decide on the coalition's policies. Clearly, traditional parties have shown little ability to rejuvenate their leadership or introduce internal democracy, outcomes that have contributed to the stunning success of independents since 1989.

29. Much of the lead that Vargas Llosa enjoyed during the 1990 campaign was based on his image as an outsider. But his long and exhaustive campaign during the eighteen months prior to the election made him a familiar figure to most voters by election day. Moreover, the growing visibility of traditional politicians from Acción Popular and the Partido Popular Cristiano, who were members of Vargas Llosa's alliance FREDEMO, convinced many that behind Vargas were arrayed the same old faces. On the election, see Degregori and Grompone (1991) and Rospigliosi (n.d.). The results of the elections can be found in Webb and Fernández-Baca (1991).

communism, besieged by Sendero, and wracked by personalist conflicts—did little more than try to deflect blame for its disastrous performance in 1990. APRA (Alianza Popular Revolucionaria Americana) and former President Alan García had been discredited in the eyes of most Peruvians by their catastrophic administration, and García has been under investigation for various financial scandals since the election. Fujimori skillfully played on APRA's weakness by initially trading favorable APRA votes in congress for placing limits on the investigation into García. On the right, the remnants of Vargas Llosa's FREDEMO (Frente Democrático), after watching Fujimori steal their neoliberal agenda, supported much of the administration's legislation while attempting to keep their political distance from a president who remained a social outsider to the close-knit network of right-wing parties.<sup>30</sup> Fujimori's own "party," Cambio '90, was hardly more than a personal electoral vehicle that had little influence in the executive branch and won no significant governmental posts for its members.

Fujimori thus began his administration in the unique position of lacking a proper electoral party but having no single opposition figure or party confronting him.<sup>31</sup> The new president also benefited from the fact that his potential opponents had seriously underestimated his political skills. Almost immediately, he began to confound observers and baffle public opinion by reaching out to the left, right, and center for political appointees, offering enticements that kept established players off-guard. Thus while implementing drastic economic "shock policies" and opening negotiations with international creditors, Fujimori also appointed well-known leftist leaders to cabinet posts and other high positions. In doing so, he kept many guessing about his "real intentions." But when it became clear that major policy decisions were being made by Fujimori's closed circle of economic and military technocrats, with little outside influence, these appointees resigned.<sup>32</sup>

#### NEOLIBERALISM AND THE NEW AUTHORITARIAN STATE

The Fujimori administration's attempt to strengthen the state apparatus has been concentrated in two arenas of state power already discussed: state influence in society and the state's organizational resources.

30. The divisions among the parties of the right were strongest in Vargas Llosa's own Movimiento Libertad. One-third of its congressional delegation resigned to openly support Fujimori's administration. See Vargas Llosa (1993, 35).

31. A poll of Lima residents found that 40 percent could not identify a single leader of the opposition to Fujimori. The person named most often (by 12 percent of the respondents) as leader of the opposition, Fernando Olivera, has consistently backed the regime. See Adrianzen (1991).

32. The most notable case was that of leftist economist Carlos Amat y León. Appointed by Fujimori as Minister of Agriculture, Amat y León soon found himself being undercut by neoliberal-oriented Prime Minister Juan Hurtado Miller.

In acknowledging the need for financial agreement with international lenders, the Fujimori regime revealed that its first priority was to enhance state power domestically and that mending Peruvian relations with international finance was a necessary condition for doing so. Enhanced capacities in both arenas have therefore become keys to the overall success of the Fujimori neoliberal reform program. Much higher levels of stability are required to spur investment and private-sector activity, a goal that demands eliminating the insurgent threat and dampening popular-sector protests and challenges like those of the 1980s. Fujimori's response in this area has been to emphasize the necessity for public order by strengthening the powers and resources of security forces. Yet at the same time, in order to carry out this function and play a less direct role in economic management, the state must reorder its organization and resources significantly. The Fujimori administration is clearly attempting to get the state out of some economic activities while increasing its resources and enhancing its prerogatives in others.

What is noteworthy with regard to this effort at neoliberal reform, in contrast to the rest of Latin America in the 1990s, is the authoritarian methods that have been adopted in Peru to carry it out. This approach was evident even before Fujimori discarded democratic procedures completely. In late 1991, for instance, Fujimori used his decree powers to enact 120 new laws, most pertaining to economic reforms but a significant number granting new powers to the military. Together, these legislative decrees represented the most significant reordering of the Peruvian state since the Velasco era and demonstrated that the Fujimori administration was interested in more than short-term stabilization. The decrees were aimed at eliminating the interventionist role of the state adopted during the Velasco years and enshrined in the Constitution of 1979. Most of the strictures in the 1969 agrarian reform on land sales, investments, and management were reversed, along with laws regarding worker participation, union organization, job security, and sales of state property. Meanwhile, neoliberal economic reforms were accompanied by a series of authoritarian political decrees. Arguing that the military required expanded powers over civil society to combat insurgency, Fujimori proposed to grant the armed forces authority to tighten restrictions on journalists, confiscate property on the grounds of national security, create special military courts to try terrorist suspects, and ensure that no military officials could be tried in civilian courts for violating human rights.<sup>33</sup> Taken as a whole, the decrees thus embodied the two priorities of the new neoliberal authoritarian state.

33. A comprehensive review of the decrees can be found in "Síntesis de los Decretos," *Actualidad Económica*, no. 129, Nov. 1991, p. 6; see also "Peru, Politics, and Violence: Fujimori Takes Draconian Powers," *Latin American Weekly Report*, no. 46, 28 Nov. 1991, pp. 2-3.

*Bringing the Military Back In*

The decrees dealing with national security antagonized many Peruvians across the political spectrum, who accused Fujimori of attempting to restrict basic democratic freedoms. By early February of 1992, the Peruvian Congress had overturned most of these decrees (which were restored two months later, following the *autogolpe*). The decrees themselves, however, were only the most publicized aspect of the broader effort to increase state control over society by giving security forces greater authority and new resources. At least two other measures underscored the new emphasis on state coercion.

First, the Fujimori administration revamped and amplified the role of the intelligence services. Every branch of the armed forces, along with the police, has its own intelligence agency, and they have often worked at cross-purposes. Fujimori and advisor Vladimiro Montesinos have relied heavily on the reorganized Servicio Nacional de Inteligencia (SNI) and its director at the time, General Edwin Díaz, as the primary organ of intelligence. Although information on budget and personnel changes is not available, strong indications have surfaced of Fujimori's propensity for using the SNI far more extensively to control political and civil society than any of his predecessors. A vast telephone espionage network aimed at opposition party members has been created, along with efforts to influence media reporting of events, such as surreptitiously providing television reporters with purported documentation of a November 1992 anti-Fujimori conspiracy among retired army officers.<sup>34</sup> Fujimori's willingness to use the SNI to alter public perceptions and keep track of opponents breaks sharply with the largely military role assigned to intelligence during the 1980s.

A second aspect of the effort to expand state influence in society via security forces has been an ongoing militarization of counterinsurgency strategy. This trend has led to an expanded role for the military in policing activities and organizing social groups to engage in counterinsurgency activity. Although elements of both approaches were employed during the Belaúnde and García administrations, Fujimori has made them the centerpiece of his effort to contain Sendero Luminoso. Since 1982, when President Belaúnde declared a state of emergency in several provinces of Ayacucho, the military has been charged with designing and implementing counterinsurgency strategy. Yet its approach has been highly fragmented, reflecting divergent opinions within the institution over what means would be most effective in countering Sendero: an "Argentine solution" requiring

34. On the expanded role of the SNI, see "Espía espión," *Sí*, 25 Nov. 1991, pp. 26–27. An unprecedented public view of the spy agency is offered in an interview with General Edwin Díaz, former director of the SNI in "Cuchareando a cucharita," *Caretas*, 21 Jan. 1993, pp. 28–29. Unsurprisingly, Díaz denied any involvement in telephone espionage. The role of the SNI in influencing reporting on the November 1992 military rebellion has been documented extensively in "La nueva historia," *Caretas*, 3 Dec. 1992, pp. 18–19.

massive repression or a "developmentalist solution" emphasizing the need for economic development in the countryside. Alternating ineffectually between the two approaches during the 1980s, the armed forces made little headway in stopping Sendero's growth. By the decade's end, the war had intensified at a cost of twenty thousand dead and nearly fifteen billion dollars in economic damage. Sendero's influence had spread throughout Peru, into urban as well as rural areas; and the Peruvian armed forces had become known as one of the worst violators of human rights in the world.

In addition to ceding greater authority to the military, Fujimori's counterinsurgency policy has given the armed forces a more visible role in maintaining public order. As mentioned earlier, Fujimori used the military to occupy universities, distribute food, conduct house-to-house searches for suspected Senderistas in shantytowns, and accompany SUNAT agents on their tax-collecting rounds. The greatest level of military involvement, however, has occurred in organizing and arming *las rondas*, self-defense committees established in the countryside and shantytowns. Rondas actually predate the insurgent war in Peru. Originally formed in Cajamarca to protect peasant livestock from marauding thieves and corrupt local officials, rondas were transformed during the 1980s into a controversial aspect of the military's counterinsurgency strategy.<sup>35</sup> While rondas were organized between 1983 and 1985 in some areas, notably by navy marines in La Mar and in the Apurimac Valley of Ayacucho, their adoption by the military was limited. Only since the advent of Fujimori have rondas been encouraged on a wide scale.

Far from being voluntary associations of citizens defending their lives and property from terrorist attack, many military-organized rondas have arisen from pressure on peasants to form a self-defense unit. Those who resist can be tagged as Sendero sympathizers, a label with dire consequences. Rondas organized by the military (often termed *montoneras* to distinguish them from their more autonomous counterparts in places like Cajamarca) are usually directed by military commanders or leaders designated by the military, and their activities are closely supervised (see Americas Watch 1992, 105).<sup>36</sup> Thus under Fujimori, rondas have become frontline troops in the war against Sendero, a role that exacts a heavy price from peasants who cooperate with the military. Yet there can be no doubt that in areas like Junín, rondas have reversed the expansion of Sendero.<sup>37</sup> The cost, however, has been militarization of Peruvian society and the subordination of civilian institutions to military authority.

35. The origins of the rondas in Cajamarca are reviewed in Starn (1991a).

36. Human rights organizations point out that the Latin American experience suggests that where the military arms civilian defense patrols such as rondas, they almost inevitably evolve toward paramilitary groups. For an excellent review of the creation and growth of rondas in Ayacucho, see Instituto de Defensa Legal (1991, 135–59).

37. As Sendero expanded its war into urban areas, the military turned to "rondas

*Small State, Effective State?*

Most of the decrees issued by Fujimori in 1991 dealt with the economy and were aimed at transforming the nature of state intervention. The immediate outcome of these decrees has been a reduction in state regulation and the size of the public sector but also a weakening of popular-sector economic actors such as unions and producers, who formerly depended on state patronage. As has often been noted, economic liberalization does not imply a reduced role for the state in the economy as much as a shift in the areas of state involvement in economic activity. Before and after the April 1992 autogolpe, Fujimori's neoliberal project of state reconstruction has been attempting to change the nature of the state's economic role by emphasizing privatization, restrictions on union activity, and greater ability to collect taxes.

From the start of the Fujimori administration, it was clear that a significant effort would be made to privatize major parts of the public sector. In addition to privatizing some small state-owned banks, the administration concentrated its attention on the agricultural sector, disbanding cooperatives, lifting restrictions on land sales, and allowing large-scale capital to enter the agrarian sector for the first time since the Velasco reform.<sup>38</sup> By 1992, attention was being focused on the productive enterprises owned by the state. Although it remains to be seen how successful the regime will be in this area, the government has met with initial success in selling off mining enterprises to foreign investors. A final and more radical component of state divestiture has been to privatize the social security system, using the Chilean model established during the regime of General Augusto Pinochet. Workers will now have the option of selecting retirement plans from private insurance companies, with little state regulation of these funds.<sup>39</sup>

The change in social security indicated a much broader shift in worker-state relations initiated by the Fujimori regime. Reversing the rights and benefits of organized labor acquired during the Velasco regime and largely maintained even during the conservative Morales Bermúdez and Belaúnde administrations, the Fujimori regime curtailed the ability of unions to organize and protest.<sup>40</sup> In attempting to weaken union organiz-

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urbanas," modeled on the rondas operating in the highlands. See "Pueblos vigilados," *Sí*, 9 Mar. 1992, pp. 23–25. On the growing involvement of the military with rondas, see "Armando las rondas," *Caretas*, 22 Apr. 1991, p. 23; Starn (1991b); and Basombrio (1992, 65).

38. On the virtual dismantling of development banks like the Banco Minero, see Alarcón (1991, 14–15). On the agrarian sector, see "Tierra movediza," *Caretas*, 8 Apr. 1991, pp. 26–29.

39. See "Caja de tensiones," *Sí*, 27 July 1992, p. 24.

40. Like leaders of other neoliberal regimes, Fujimori uses the term *labor flexibilization* to describe the reforms being introduced. Since the autogolpe, changes have been made largely by decree. See "Leyes laborales: mano de hierro," *Caretas*, 10 Dec. 1992, pp. 24–25. On the changes enacted before April 1992 and their effects on labor organization, see especially Cortés (1991) and "Camino laboral," *Caretas*, 21 Oct. 1991, p. 22.



ing, new decrees were enacted prohibiting unions from engaging in "political activities." Additionally, Peruvian workers can now organize more than one union in their workplace. Although regime supporters argued that this proviso would foster democratization of the union movement, the obvious purpose is to undermine the possibility of a unified labor movement. Other measures enacted since the Fujigolpe have limited the public-sector unions' right to strike, eliminated worker cooperatives, and ended the mediating role of the labor ministry in collective bargaining.

Labor's ability to contest these drastic changes imposed by the state has been severely limited. First, the prolonged economic crisis crippled labor's ability to mobilize workers. By 1989 real wages were half of their levels in 1980, which in turn were half the level of the mid-1970s. Declining industrial production forced many workers into the informal economy, which by 1990 accounted for more than two-thirds of the economically active population. As is often noted, the informal economy is very difficult to organize. These trends have impaired the unions' ability to expand their membership and to urge workers (who correctly fear losing their positions or wages in a recession) to engage in effective collective action.<sup>41</sup> Another factor limiting worker responses has been their susceptibility to violence. Since 1989, Sendero Luminoso has carried out an extensive campaign to take over the union movement, infiltrating meetings and strikes and assassinating leaders who resist their efforts. In response, security forces suspicious of Sendero influence have increasingly turned to repressing labor. The cost to labor has been high, as was dramatized by the assassinations of mine union leader Saúl Cantoral and Pedro Huilca, head of the the Confederación General de Trabajadores del Perú (CGTP), the country's largest labor federation.

Although the Fujimori neoliberal reform project is attempting to reduce the state's direct role in productive functions through privatization, the administration's approach to labor demonstrates that this goal does not imply a weaker state role in the economy. In the area of taxation, the state has significantly enhanced its capacities and expanded its ability to gather resources. One of the most effective of the new technocrats appointed by Fujimori was Manuel Estela, director of the tax collection agency SUNAT from 1990 to 1992. Estela employed new powers ceded by Fujimori to crack down on tax evaders by closing well-known businesses, increasing tax rates on individuals and property, and making highly publicized raids on street vendors who failed to comply with tax laws. SUNAT's aggressive new policy has achieved notable results, ending the precipitous decline in tax revenues that occurred in the 1980s. In 1991 tax revenue increased to more than 8 percent of the gross national product,

41. On labor's difficulties during the 1980s, see for example Parodi (1986), Chávez (1990), and Balbi (1989).



climbing from its all-time low of just under 5 percent in 1989. SUNAT's goal of increasing it to more than 15 percent appears reasonable (doing so would bring Peru in line with most of its Latin American neighbors). Nonetheless, it remains to be seen whether such a dramatic improvement can be sustained over the long term.<sup>42</sup>

Up to early 1992, Fujimori had adroitly managed the political scenario, keeping his opponents off-guard, playing on the internal divisions and rivalries of the major political parties, and denouncing politicians, parties, the congress, and the judiciary as corrupt and inefficient. For most Peruvians, these assertions contained enough truth to make Fujimori's attacks highly popular.<sup>43</sup> The rejection of many of Fujimori's decrees by the congress, however, signaled the first major setback in his neoliberal authoritarian project. It also represented the first clear assertion of opposition prerogatives in response to Fujimori's constant and popular attacks on the parties and congress as obstacles to reform.

The concern over loss of initiative by Fujimori in early 1992 was underscored in the inaugural speech of the new president of the Comando Conjunto, General Nicolás de Bari Hermoza. Breaking with the strong "apolitical institutional tradition" of the armed forces predominating since 1980, the general stated that the military as an institution endorsed "each and every one" of Fujimori's decrees.<sup>44</sup> Open endorsement of a civilian president by a high-ranking military official was not only unprecedented but a violation of the 1979 constitutional prohibition against military officials making "deliberative comments." Yet this dramatic statement elicited only a mild reaction from most sectors, with no more than a few congressmen suggesting that the general should be summoned to "explain" his comments. With an open ally heading the armed forces, the Fujimori administration clearly felt that its base of support was as solid as ever. It was against this backdrop of firm support from the armed forces and growing doubts about the ability to sustain the state reconstruction project that Fujimori launched his autogolpe in April 1992.

#### DEMOCRACY AND NEOLIBERAL STATE REFORM: AN EMPEROR WITHOUT CLOTHES

Breaking Peru's fragile democratic rules, Fujimori decided to impose his state reconstruction project directly via authoritarian means, thus avoiding the possible obstacles and inevitable compromises that democratic procedures imply. As has been shown, much of his adminis-

42. "Pérdida de poder adquisitivo de los salarios es 51%," *La República*, 9 Oct. 1990, p. 10; "Oteando el futuro," *Sí*, 23 Dec. 1991, pp. 18–20; and "Impuestos . . . paga lo que debe," *La República*, 17 Mar. 1991, pp. 7–9.

43. On Fujimori's attacks, see "¿Y por qué gusta?" *Caretas*, 16 Dec. 1991, p. 11.

44. "¡Qué rico deliberante!" *Sí*, 6 Jan. 1992, p. 8.

tration's conduct has indicated disdain for democratic procedures and political society in general. Yet to what extent was the turn to authoritarianism a necessary or inherent part of neoliberal reconstruction policies? Many "liberals" in Peru and beyond pointed to the case of Chile under Pinochet to suggest that deep structural reforms along neoliberal economic lines require a period of authoritarian rule to be implemented effectively, given the entrenched resistance of established interests. Yet such reforms are being carried out elsewhere in Latin America and in Eastern Europe largely without negating fundamental democratic procedures.<sup>45</sup> In fact, the autogolpe in Peru caused serious new tensions and uncertainties even within Fujimori's neoliberal reformist coalition.

The Fujigolpe placed critical strains on the very sectors that had coalesced around the president to rebuild the state. First came the withdrawal of international financial actors who had been a crucial part of the regime's effort to restructure the economy and the state. The United States led a group of international creditors in suspending all assistance to Peru, effectively halting the country's planned reentry and renewed access to foreign credit, a cornerstone of the government's program. Although international sanctions as severe as those imposed on Haiti after the overthrow of President Jean-Bertrand Aristide were avoided, the coup clearly precipitated international isolation. Peru's participation in critical regional associations like the Río Group and the Andean Pact was suspended, and several countries curtailed diplomatic ties, including Venezuela, Spain, and Panama.

The hostile international reaction to events in Peru was not anticipated by regime officials. Fujimori argued that once international critics "understood" the reasons for the move, they would cooperate with the new authoritarian regime. What he failed to understand was that international actors responded by taking a hard line against the suspension of democracy in Peru because to have reacted otherwise could have encouraged similar authoritarian moves elsewhere in Latin America and in Eastern Europe.<sup>46</sup> As on previous occasions, decision makers in Peru

45. Many Fujimori supporters pointed to Boris Yeltsin's forcible closing of the Russian Parliament and U.S. support of that action in October 1993 to defend the legitimacy of Fujimori's autogolpe. But significant differences exist between the two moves. Yeltsin's actions came in the midst of an incomplete transition from totalitarian institutions, where democratic institutions had not yet been formed and much of the opposition had strong authoritarian tendencies. None of these conditions applied to Peru prior to April 1992.

46. The Fujigolpe came on the heels of an attempted coup in Venezuela in February 1992 against President Carlos Andrés Pérez and the September 1991 overthrow of President Jean Bertrand Aristide in Haiti. These events led many to speculate about a new authoritarian wave in Latin America. An authoritarian outcome was similarly feared in Eastern Europe, where battles between the executive and legislative powers could provoke a breakdown. On the immediate ramifications of the Fujigolpe and the perspective of the George Bush administration, see Thomas Friedman, "Peru and the U.S.: What Course to Take?" *New York Times*, 15 Apr. 1992, p. 3.

undertook actions that were out of sync with global trends and pitted them openly against international actors. Given the Peruvian state's vulnerability in the international arena and its need for new investments to complete the restructuring effort, the Fujigolpe appeared self-destructive. It caused a key member of the neoliberal coalition to end its support for the regime. Moreover, efforts to reopen channels severed by the April autogolpe were slow in coming and were linked by the international community to holding new elections. The result was a significant delay in Peru's program to reenter the world market.

Fujimori's domestic partners, meanwhile, supported the autogolpe during the immediate aftermath, undoubtedly buoyed by opinion polls that demonstrated significant support for the move among major sectors of Peruvian society. Yet even here, unity was more apparent than real. Hernando de Soto, who had played a major role in establishing new channels of communication between the regime and the international community, had already left the administration several months earlier. While most business associations outwardly supported the autogolpe, fear began to grow about the implications of the cutoff of international aid. Thus while verbal support for Fujimori continued in the months following the autogolpe, significant withdrawals from the banking sector and fluctuations in the stock market reflected a generalized nervousness. These actions also indicated strong pessimism about the prospects for economic recovery, which had been based on renewed confidence and international aid now curtailed by the Fujigolpe.

The institution compromised most by the neoliberal authoritarian move was the military. Its support effectively cemented a new politicization of the Peruvian armed forces as an institution. The civilian regime of Fujimori had manipulated and politicized the command structure of the armed forces to a degree unprecedented in recent Peruvian history, a stark reminder of the deprofessionalization of the military that began during the 1980s (see Mauceri 1991). By aligning itself so closely with the new authoritarian regime, the military also provoked new divisions and factional disputes, as occurred during the Velasco era. A conspiracy in November 1992 among retired officers to depose Fujimori and restore the Constitution of 1979 was quickly followed by additional conspiracies among active-duty officers and a series of purges within the army. Among those purged in early 1993 was General Rodolfo Robles, who had publicly linked the activities of paramilitary groups with the SNI and Vladimiro Montesinos.<sup>47</sup>

The somewhat shaky ground that the neoliberal economic coalition found itself standing on after the Fujigolpe reveals the most basic problem confronting any new authoritarian regime: its ability to institu-

47. See "Jacque letal," *Caretas*, 13 May 1993, pp. 10–16.

tionalize the changes it is seeking in the relationships among the state, society, and the broader political system. All such regimes face the impossible problem of legitimating themselves in the eyes of a "world marketplace" where democracy predominates and in a domestic environment where authoritarian rule is perceived as transitory.<sup>48</sup> For the new authoritarian regime in Peru, this problem was especially difficult, given a hemispheric environment in which democratic discourse now prevailed. Repeated missions sent by the Organization of American States underscored the need for a democratic solution, while the looming threat of further isolation and possible sanctions ultimately forced the regime to call for Constituent Assembly elections, which were held in November 1992. International pressure thus played a key role in forcing the Fujimori administration to abandon its efforts to openly consolidate authoritarian structures of governance.

The capture of Abimael Guzmán, Sendero's founder and leader, in September 1992 bolstered Fujimori's popularity levels and led many to suggest that the regime could now acquire the capacity to legitimate its broader actions. While the importance of this capture cannot be underestimated in terms of legitimation of the regime and Peru's future welfare, the regime's ultimate ability to reshape the state-society dynamic faced significant limitations. Despite the longevity and repressiveness of the authoritarian regimes of the 1960s and 1970s in Latin America, few of them could claim to have succeeded in restructuring society along the bureaucratic outlines designed by state planners. Chile under Pinochet is the only arguable case of an authoritarian regime transforming the social and institutional structure. Even in Chile, where the Pinochet dictatorship left few methods of reorienting societal loyalties untried, pre-coup structures of party cleavage have survived unchanged. Similar trends can be perceived in Spain and in virtually all cases of post-transition politics.<sup>49</sup> One need look no further than Peru itself during the Velasco regime to recognize the limits on authoritarian social transformation led by the state. The corporatist organizations created by the Velasco regime were designed "from above" and as a result largely failed to gain the allegiance of the social groups for whom they were created. Society essentially overwhelmed the structures built and imposed by the state and did so on the state's own terrain. Parties and new social organizations used the resources of the state for their own purposes, and by the late 1970s, not a single pro-regime corporatist mechanism remained. The Fujimori policies and the autogolpe they led to, desperate responses to the massive crisis in state-society relations handed down from the 1970s, have repeated the errors of

48. This point is made clear in O'Donnell and Schmitter (1986, 15).

49. On Chile, see "Party Oppositions under the Authoritarian Regime" in Valenzuela and Valenzuela (1986). An analysis of the Spanish transition that makes much the same point is Share (1985).

past authoritarian attempts to reconstruct a state whose problems are deeply rooted in a history of injustice and inequality.

Confronted by the international isolation provoked by the *autogolpe* and the coalition's recognition that it did not automatically solve the country's most immediate problems, Fujimori found the possibilities of developing formal authoritarian structures limited. Nonetheless, his regime made important strides in creating new institutional arrangements that incorporated its neoliberal reforms and authoritarian methods via electoral means. The constitution adopted by the Constituent Assembly in mid-1993 and ratified by plebiscite discarded the "social market" orientation of the Constitution of 1979 in favor of an openly free-market agenda. The new constitution also strengthened the powers of the executive: it created a unicameral legislature that can be dismissed by the president, increased control of the executive over the judiciary, provided for presidential reelection, and incorporated all of Fujimori's decrees that had been rejected by the previous congress.<sup>50</sup> By means of these new rules of the game, the regime hoped to create institutions that could guarantee continuation of the neoliberal authoritarian experiment and thus supersede the limitations of relying purely on approval in public-opinion surveys and the personalism of Alberto Fujimori.

## CONCLUSIONS

Fujimori's "*autogolpe*" of April 1992 was the culminating response of an attempt to restructure the state and its relations with society through a combination of neoliberal economic reforms and authoritarian political methods. These efforts have been supported by a coalition of interests—including technocratic elites, the military, business, and the international financial community—that coalesced around Fujimori to reverse the structural decline in state capabilities taking place in Peru for over a decade. Although each of these groups has its own agenda, the logic underlying the coalition and the administration it supports has been the necessity of strengthening the state in the areas required to carry out a neoliberal modernization of the economy and society. Since the *autogolpe*, significant problems and tensions have emerged that have forced the regime to abandon the openly authoritarian aspects of its project, although it has forged ahead with attempts to institutionalize the most significant structural changes adopted since Fujimori's election.

A significant comparative question raised by the Peruvian experience concerns the relation between structural shifts, such as state disintegration in Peru, and democratization. The comparative implications of this relationship require much more attention than they have received

50. For an excellent critique of the new constitution, see Bernaldes (1993, 5–6).

thus far in the literature on democratization. The different civilian regimes that governed Peru in the 1980s failed to resolve the entrenched structural problems facing the state and society. The state's inability to devise a sustainable development strategy that could provide growth and meet the basic needs of the population as well as its inability to reverse the declining capabilities of a state structure increasingly unable to maintain public order or assert its authority created enormous frustrations among all sectors of society. These frustrations paved the way for the emergence of the new neoliberal-authoritarian coalition that was less interested in democratic procedures than in what its members perceived as the survival of the existing order. The Peruvian experience thus suggests the importance of a democratic consensus not only on the "rules of the game" during consolidation but also on broader structural issues.

The influence of the "Fujimorazo" in Latin America is attested by the May 1993 autogolpe attempted by President José Serrano in Guatemala.<sup>51</sup> Yet beyond the peculiarities of the autogolpe as a type of coup, the democratic breakdown that took place in Peru in April 1992 resulted from an extraordinary conjunction of structural and institutional factors. In the 1980s, Peru offered one of the most dramatic examples of state crisis and weak democratic institutions in the hemisphere, which led to strategic calculations among elite sectors favoring an authoritarian outcome. If the Peruvian experience is not readily repeatable, it should nonetheless stand as an example of the dangers accompanying economic reform and democratization in a context of institutional fragmentation and inefficacy.

51. Commentators throughout Latin America began asking whether their own executives were capable of these actions and how other institutions would respond. This questioning was especially pronounced in Venezuela, where President Pérez remained in legal limbo for most of early 1993. See "Las voces del silencio," *El Diario de Caracas*, 20 June 1993, p. 23.

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